



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

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Bulletin 9-85

PREFERRED PROVIDER ORGANIZATIONS

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In the past, several insurers have contacted the Department regarding entry into various preferred provider organizations and it was the Department's opinion that insurers could not contract directly or indirectly with providers of health care services without forming a health maintenance organization pursuant to Ark. Stat. Ann. § 66-5200, et seq., or violating various statutes relating to freedom of choice. The department has reconsidered, however, and it is now the Department's official opinion that insurers may form and/or participate in preferred provider organizations if the following criteria are met:

1. Membership on provider panels must be open to representatives of all professional licensed under the Medical Practice Act, Ark. Stat. Ann. § 72-201, et seq. willing and able to meet the terms and conditions of the organization.
2. The difference in benefit levels, i.e., deductibles and co-pay provisions, etc, offered to the insured must not be so great as to practically require that the health care service be rendered by a particular hospital or person in contravention of Ark. Stat. Ann. §66-3703. The Department will presume that a difference exceeding 25% in benefit levels effectively negates an insured freedom to utilize non-panel providers.

The increased benefit provisions of the policy should be filed in accordance with normal procedure but should include a summary comparing the increased benefit levels, with the benefits offered under the standard group policy.

Robert M. Eubanks, III
INSURANCE COMMISSIONER